

THE HINDU

UFO MOVIEZ

Banking on movie buffs

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UFO Moviez, which listed in 2015, is well-placed to make the most of the increasing spends on leisure activities in India. While the name might make one smirk, the business isn't that outlandish.

The company was the front-runner in distribution of digitised Indian cinema content and is the key driver for the same-day release of movies across the country. It's the largest player in this segment and has tie-ups with screens across India, West Asia, Israel, Mexico and the US.

Its platform for in-cinema advertising is expected to be the key driver in future. With its

capital investments almost complete, the company is now trying to leverage its existing infrastructure to expand.

The stock of UFO Moviez is attractively valued, currently trading at price to earnings multiple of 19 times its trailing twelve months' earnings, near the lower end of its PE band of 17 and 21, since listing.

The company charges film producers for distribution, as well as movie exhibitors. The growth in distribution and exhibition revenue is expected to moderate in the com-

ing years at lower single digit, especially with its agreements with major Hollywood studios expiring in June 2018.

But advertising revenue is expected to grow over 20 per cent in the near future. The company is trying to expand reach by setting up

movie theatres through the franchisee model in tier II and tier III cities. The first theatre under this model was recently operationalised in Punjab. If this venture takes off, it will be a booster to growth.

Other businesses, such

as Caravan Talkies, which takes movies to rural areas to screen after sundown, are yet to take off but can bring some advertising revenue later.

UFO Moviez' revenue grew at 29 per cent compounded annual rate between FY12 and FY16. The December quarter of FY17 was hit by demonetisation as well as one-time salary pay-outs.

But in the nine months to December 2016, revenue grew 4.3 per cent over the corresponding period in FY16, to ₹440 crore. Despite the difficult third quarter, EBIDTA margin was 30.5 per cent and net profit margin 9.8 per cent, in the first nine months of FY17.

